

Message Text

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ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 AID-05 EB-07 COME-00 TRSE-00

OMB-01 OPIC-03 CIAE-00 INR-07 NSAE-00 /034 W

----- 030689

P 221524Z JUL 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 1876

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PASS EXIM

EO 11652: N/A

TAGS: EFIN, ZA

SUBJECT: EXIM BANK LEADING POLICY

REF: LUSAKA'S 1212 AND 1362

1. OVER PAST TWO WEEKS AMB HAS BEEN SUCCESSIVELY AND REPEATEDLY APPROACHED BY RANKING OFFICIALS ON EXIM POLICY REQUIRING GRZ GUARANTEES ON LOANS TO MINING COMPANIES. PLEAS FOR GREATER FLEXIBILITY BY LENDER ON GUARANTEE ISSUE HAVE COME FROM ROAN M.D., GOVERNOR OF CENTRAL BANK, PERMANENT SECRETARY, AND MINISTER OF FINANCE AND PLANNING.

2. WE HAVE REITERATED EXIM BANK POSITION ON ASSUMED CHANGE IN CHARACTER OF MINING COMPANIES WITH CHANGE IN MANAGEMENT AND SALES CONTRACT AND ZAMBIANIZATION OF THESE FUNCTIONS. OFFICIAL ZAMBIAN REACTION HAS BEEN TO CONTEST VALIDITY OF EXIM BANK ASSUMPTION THAT ROAN AND NCHANGA ARE "UNDER EFFECTIVE CONTROL OF GRZ AND NOT INDEPENDENT COMPANIES".

3. MINISTER OF PLANNING AND FINANCE CHIKWANDA WAS FRIENDLY BUT FIRM IN EXPLAINING TO AMBASSADOR JULY 21 THAT MINING COMPANIES WITH 51 PERCENT GOVERNMENT PARTICIPATION

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COULD UNDER NO CIRCUMSTANCES BE COMPARED WITH 100 PERCENT

STATE MONOPOLIES SUCH AS ZAMBIA AIRWAYS AND ZAMBIA RAILWAYS. INSISTED THAT BOTH ROAN AND NCHANGA OPERATED JUST LIKE PRIVATE COMPANIES AND LITTLE HAD CHANGED EXCEPT PERSONALITIES ON TOP. NEITHER MINING COMPANY ENJOYS TAX CONCESSIONS AND DUTY FREE ENTRY AS DOES AIRWAY AND RAILWAY. NOTWITHSTANDING "GOVERNMENT CONTROL" OF MINING COMPANIES THROUGH PRESIDENTIAL APPOINTMENT OF MANAGING DIRECTORS (WHO ARE NOT FROM CIVIL SERVICE BUT FROM PRIVATE INDUSTRY) AND NAMING OF MINISTER OF MINES AS CHAIRMAN OF BOTH COMPANIES, BOARDS OF DIRECTORS OF BOTH ARE INDEPENDENT AND OPERATE ON BASIS OF MAJORITY DECISIONS. IN CRITICAL CASES WHERE MINORITY SHAREHOLDERS MAY NOT AGREE THERE IS PROVISION UNDER ARTICLES OF ASSOCIATION PROTECTING MINORITY INTERESTS BY NOT ALLOWING MAJORITY TO OVER-RULE THEM. MINISTER SUGGESTED EXIM BANK REQUEST COPY OF ARTICLES OF ASSOCIATION FROM AMAX SO AS TO BE CONVINCED OF VALIDITY HIS FOREGOING ARGUMENT.

4. LOGICALLY, CHIKWANDA SAID, IF ONE SHAREHOLDER BEING ASKED FOR GUARANTEE, SO SHOULD ALL OTHERS. HE RECOGNIZED THIS IMPRACTICAL, GIVEN BREAKDOWN OF MINORITY SHAREHOLDERS WHICH NUMBER RUNS INTO THOUSANDS.

5. AS EXIM BANK LOAN LIKED WITH SUPPLY OF AMERICAN EQUIPMENT, CHIKWANDA ARGUED IT SHOULD BE TREATED AS STRAIGHTFORWARD COMMERCIAL TRANSACTION AIDING US SUPPLIERS.

6. CHIKWANDA CONCERNED EXIM INSISTENCE ON GUARANTEE MIGHT BE RELATED TO OVERALL PERFORMANCE OF ZAMBIAN ECONOMY - ADMITTEDLY POOR AT PRESENT - AND TO LOSSES OF SOME ZIMCO SUBSIDIARIES, BUT HE CONTENTED THIS TEMPORARY AND URGED EXIM SO REGARD IT.

7. EXIM PRAISED BY CHIKWANDA AS HAVING BEEN BOTH GOOD AND FAIR TO ZAMBIA - "FAIRER THAN MOST FOREIGN LENDERS" - FOR WHICH "WE PROFOUNDLY GRATEFUL".

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8. SENSITIVITY AND DISAPPOINTMENT HAS BEEN EXPRESSED IN BANKING AND MINING CIRCLES THAT EXIM "SHOWED LACK OF CONFIDENCE IN ZAMBIA" BY NOT SENDING REPRESENTATIVE TO NEW CENTRAL BANK OPENING JULY 17. IT WAS HOPED THAT SOME OF FOREGOING ZAMBIAN ARGUMENTS COULD HAVE BEEN ADVANCED IN PERSONAL AND DIRECT WAY AT THAT TIME.

9. COMMENT: RECORD SHOWS EMBASSY HAS TAKEN

POSITION ZAMBIA SHOULD BE HELD TO GOVERNMENT GUARANTEE
ON LOANS TO MINING COMPANIES IF THIS IS GENERAL AND
INFLEXIBLE EXIM BANK POLICY WORLD WIDE IN CASES OF THISKIND.

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 1877

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PASS EXIM

HOWEVER, IF EXIM HAS FLEXIBILITY IN ADMINISTERING
ITS POLICY, AND IF FOREGOING ARGUMENTS FIT BANK'S CRITERIA,
WE WOULD HOPE SOME AMICABLE WAY OUT OF PRESENT IMPASSE
AND MOUNTING HARD FEELINGS COULD BE FOUND. IT
UNFORTUNATE THAT PSYCHOLOGY AND EMOTION BEGINNING
TO SURFACE IN ZAMBIAN REACTION TO EXIM BANK POLICY
ON GOVERNMENT GUARANTEE. WORTH NOTING THAT MINISTER
OF MINES SOKO IS PRIVATELY REPORTED TO HAVE SAID - IN
BALDER TERMS - THAT EXIM BANK PROBABLY LACKS CONFIDENCE
IN PROFESSIONAL ABILITY OF NEW ZAMBIAN MANAGING DIRECTORS
OF MINING COMPANIES WHO HAVE SUCCEEDED FOREIGN
EXPATRIATES. THIS INTRODUCTION OF RACIST ELEMENT AND
QUESTION OF MANAGERIAL COMPETENCE OF ZAMBIANS -
WHICH SURELY UNTRUE - IS UNFORTUNATE BUT IT IS A REAL
FACTOR WHICH WE HAVE TO RECKON WITH AND DENY ON
THIS SIDE.

10. UNCERTAINTY RE GRZ POLICY ON FOREIGN INVESTMENT,
COULD ALSO BE A FACTOR, SOME ZAMBIANS BELIEVE, IN
EXIM'S STRICT ADHERENCE TO GRZ GUARANTEE
REQUIREMENT. HOWEVER, EMBASSY BELIEVES PRESIDENT
KAUNDA'S VERY POSITIVE STATEMENT JULY 17 AT OPENING

OF NEW BANK OF ZAMBIA BUILDING SHOULD BE GOVERNING.
HE WELCOMED FOREIGN CAPITAL AND INVESTMENT WHICH
RESPECTS HUMANIST PHILOSOPHY AND INDICATED REAL NEED
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FOR IT.

11. CHIKWANDA HAS SUGGESTED ROAN AND NCHANGA MDS
MAY GO TO US TO PRESS FOR FLEXIBILITY ON EXIM SIDE,
BUT HE IS HOPEFUL EMBASSY MAY ASSIST AND OBVIATE
THIS NEED. REQUEST PRIORITY REPLY BY COB FOR WEEKEND MEETING
BETWEEN AMBASSADOR AND MINISTERS OF PLANNING/FIANCE AND MINES/
INDUSTRY ON THAT DATE.
WILKOWSKI

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